

# Wakefern Food Corporation

## 1997 Business Review



*RJ Reynolds*  
Tobacco Company



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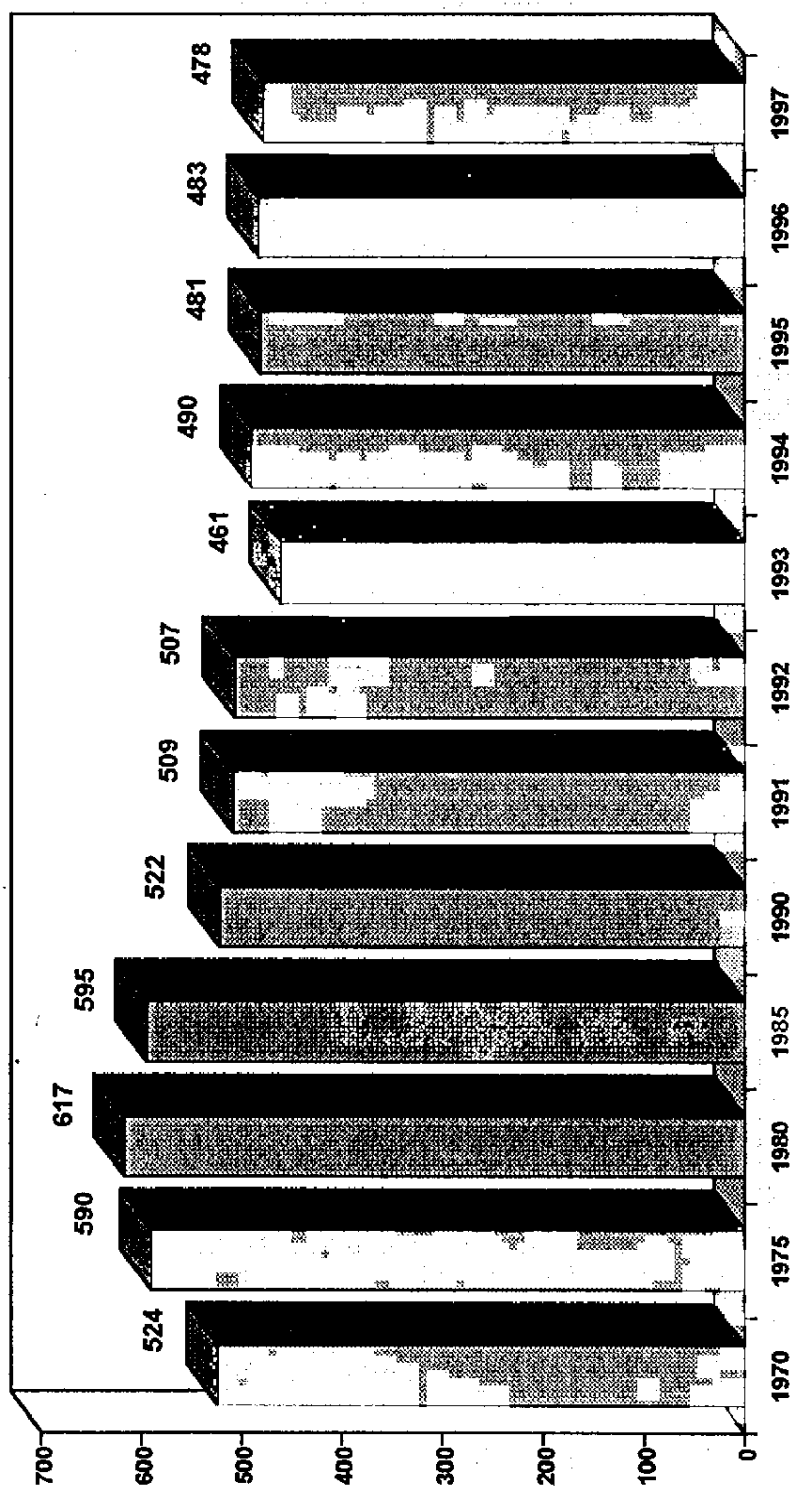
# Wakefern Food Corporation

## CONFIDENTIALITY

This confidential report was prepared  
for your exclusive use in concert with  
R. J. Reynolds Tobacco Company.

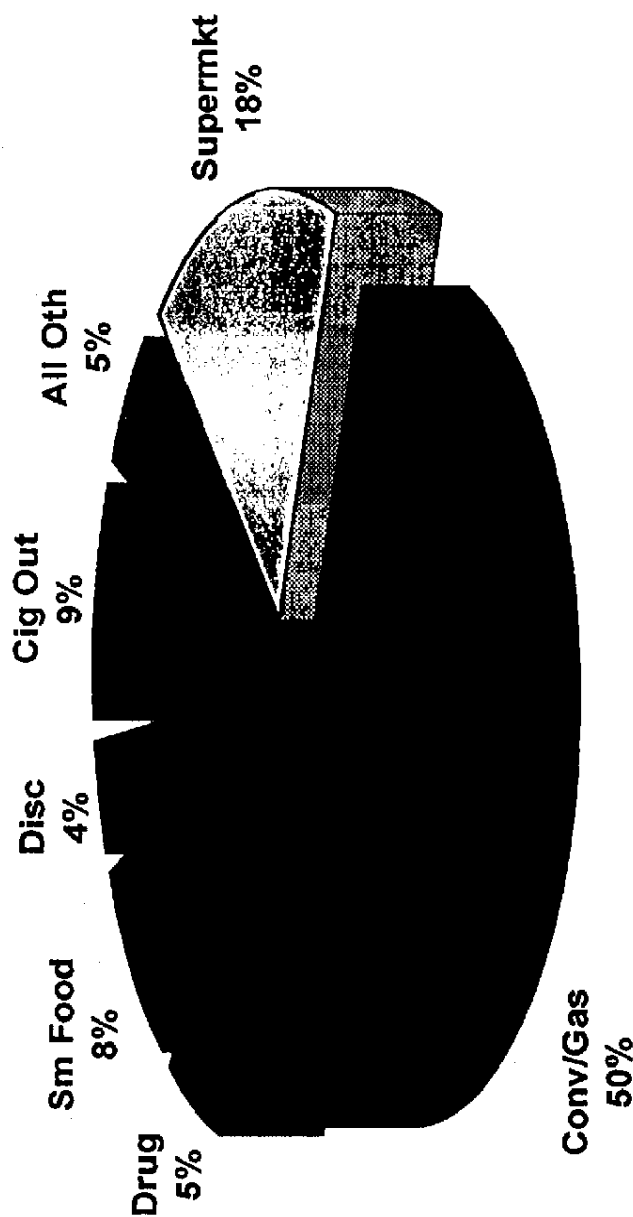
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**Total U.S.  
Cigarette Industry Volume  
Billions of Cigarettes - Annually**



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8687 6415

## Cigarette Retail Dollar Sales Percent of Total U.S. - 1997 \$

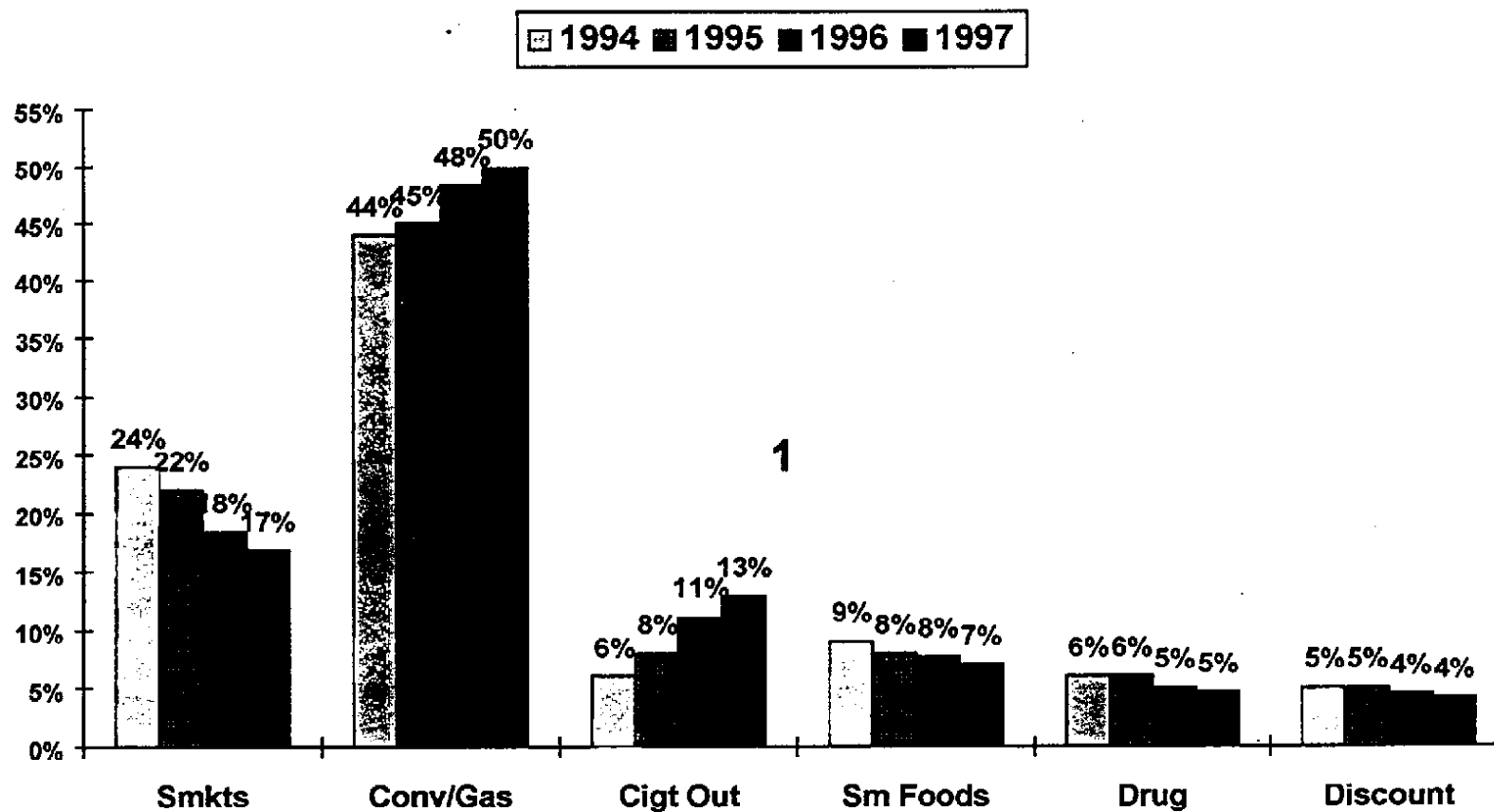


■ Cigarettes produce BIG sales dollars for each retail segment.

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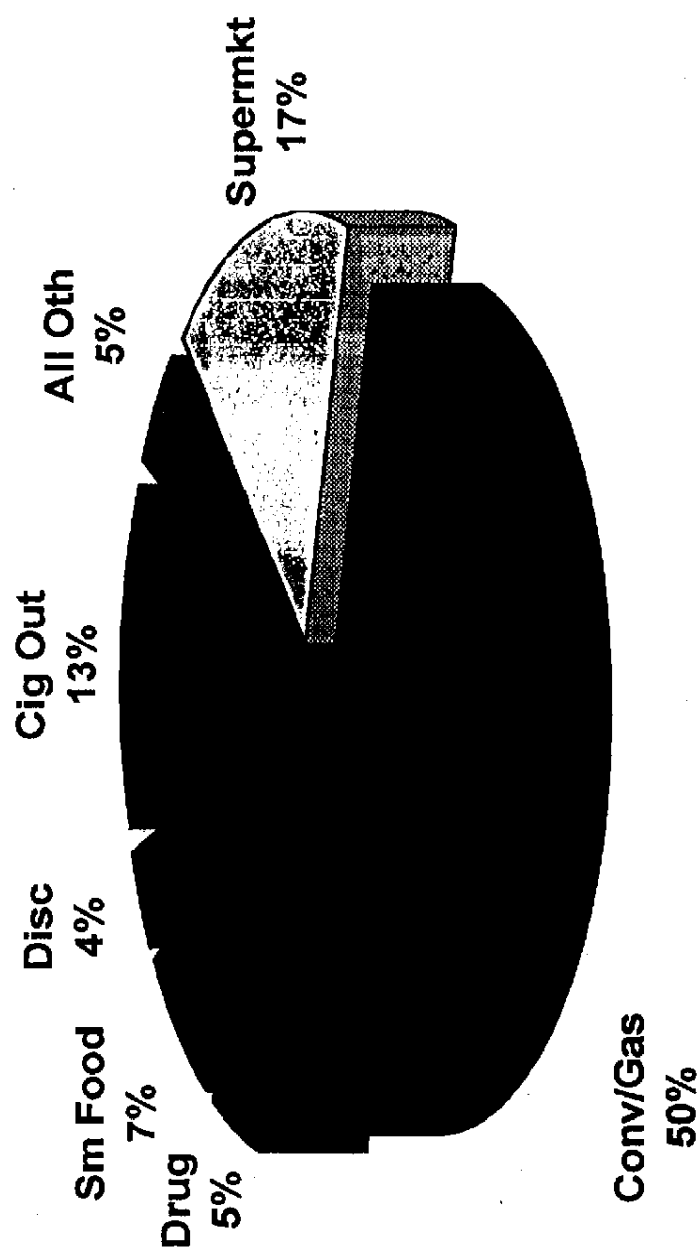
# Total U.S.

## Percent Cigarette Volume Trends By Retail Segment



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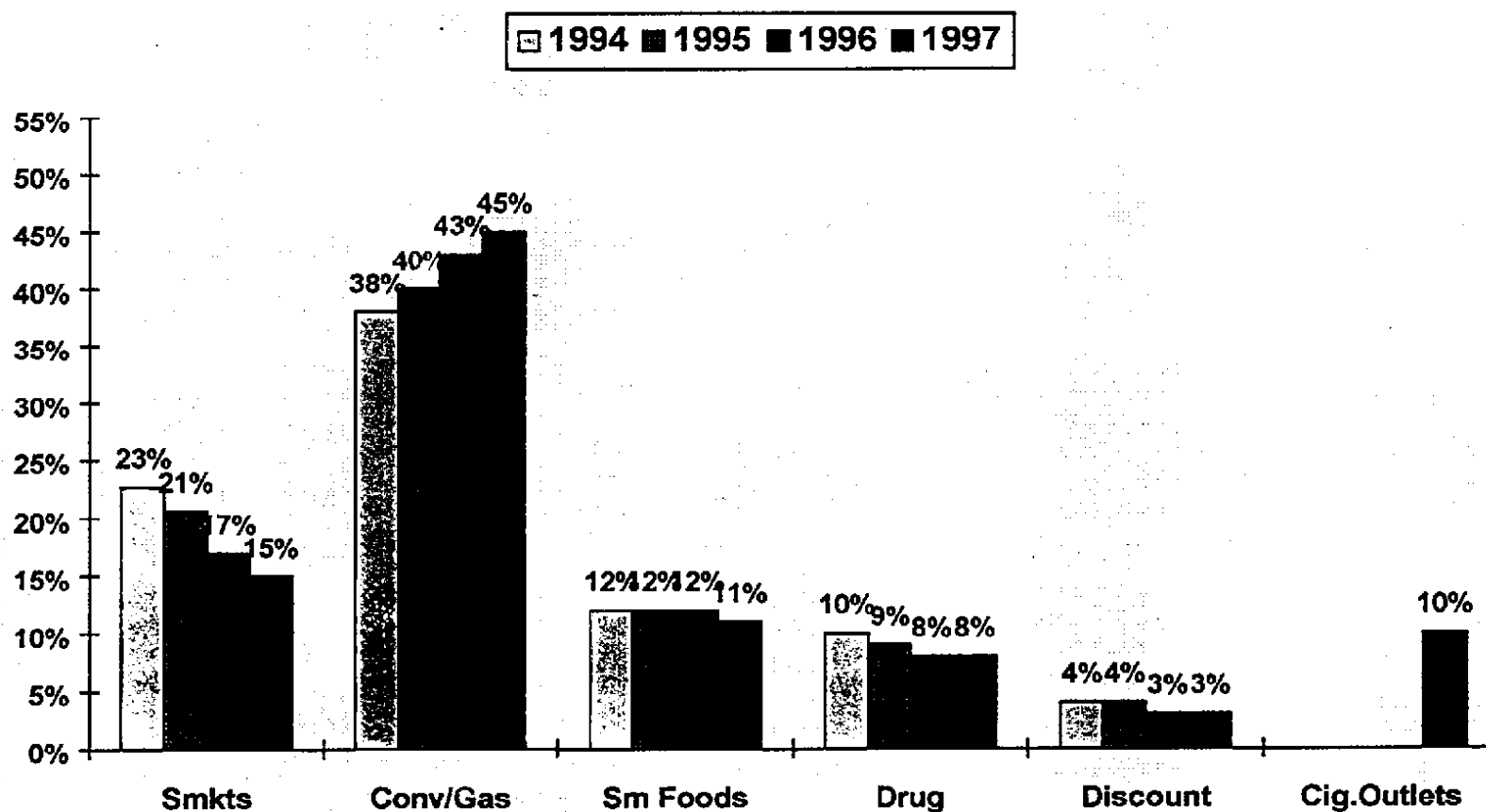
# **"Where Consumers Purchase"** **Percent of U.S. Volume - 1997**



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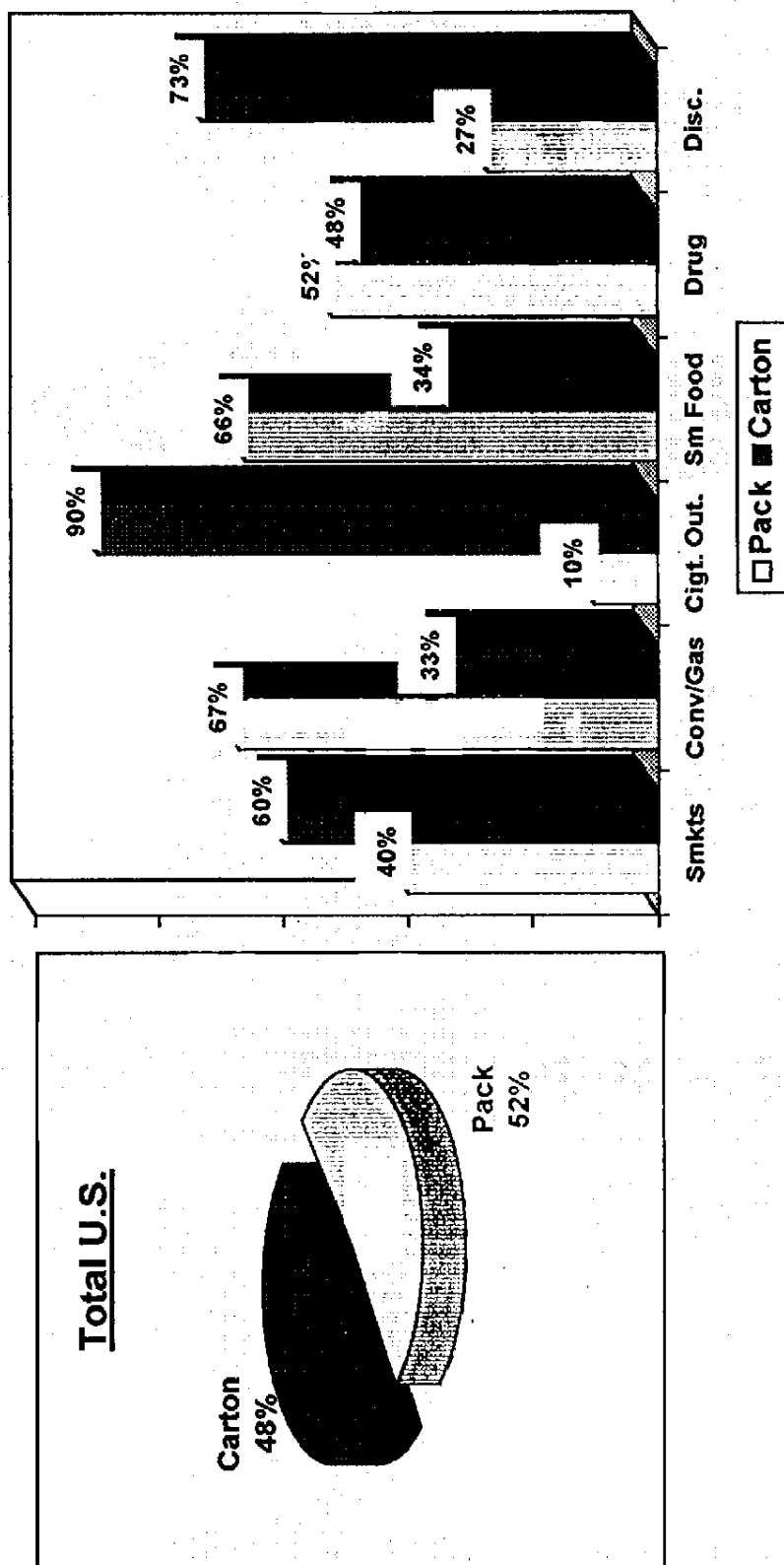
# Northeast U.S.

## Percent Cigarette Volume Trends By Retail Segment



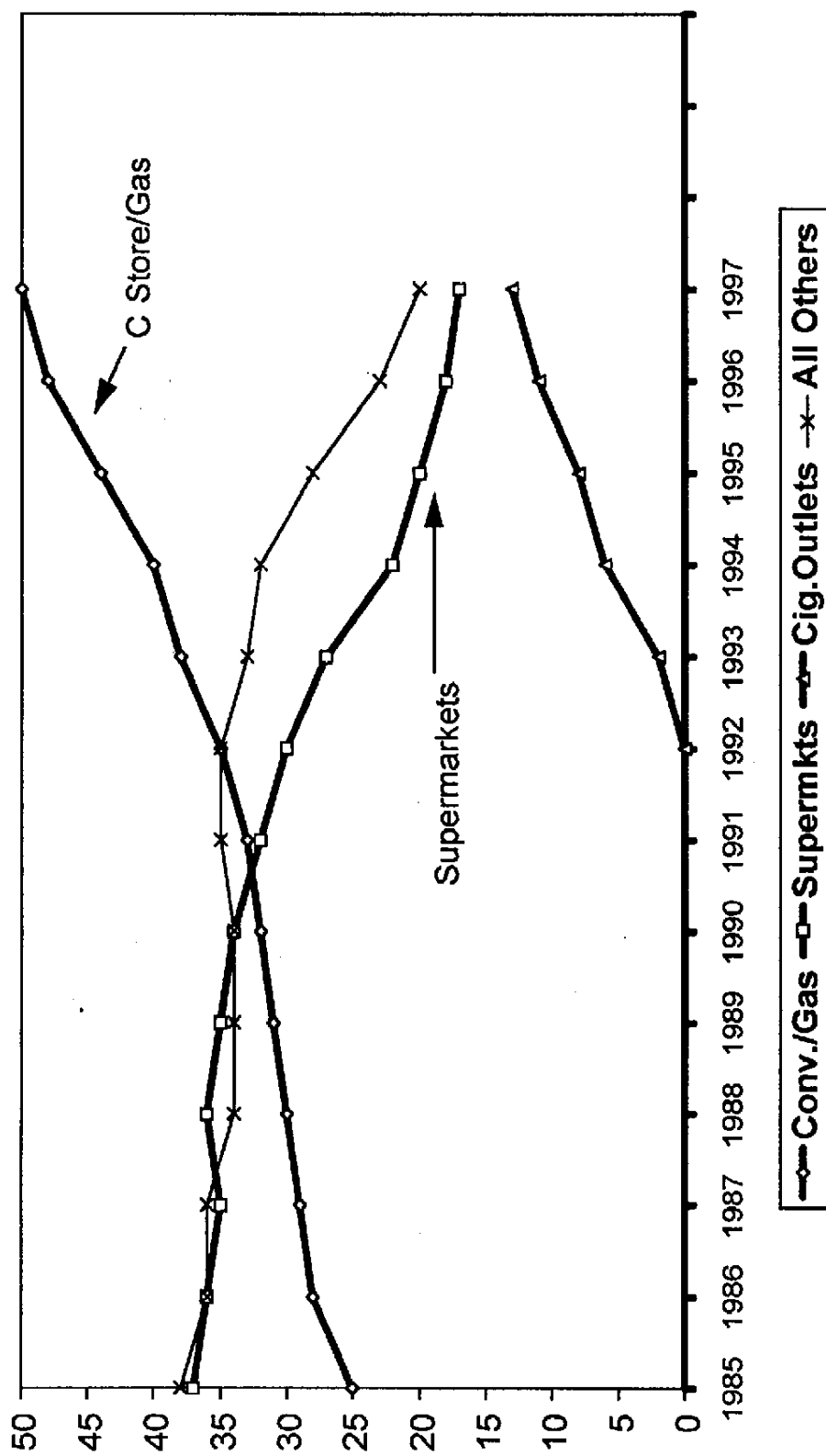
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# **"How Consumers Purchase"** **Pack / Carton Ratio - 1997**



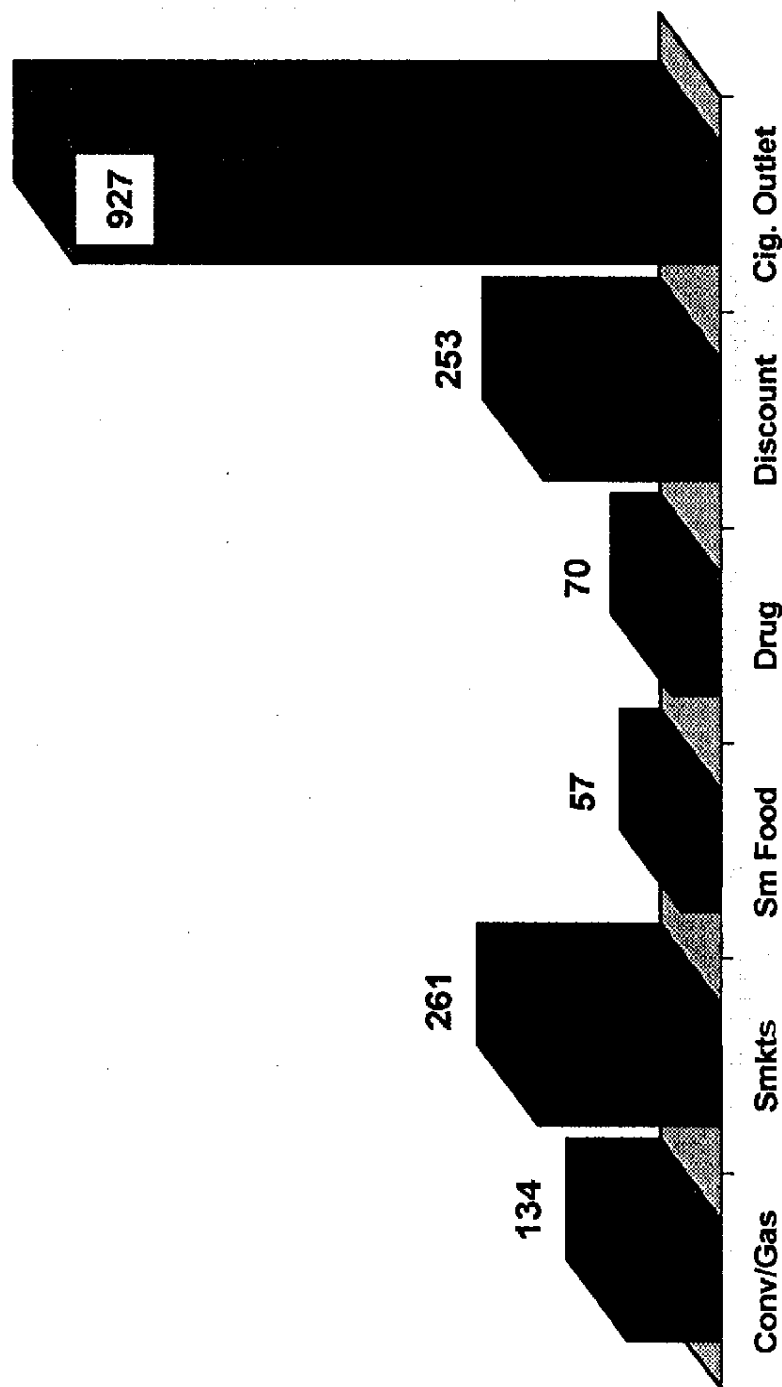
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# **Total U.S. Share of Cigarette Industry Volume** **Major Trade Class Trends**



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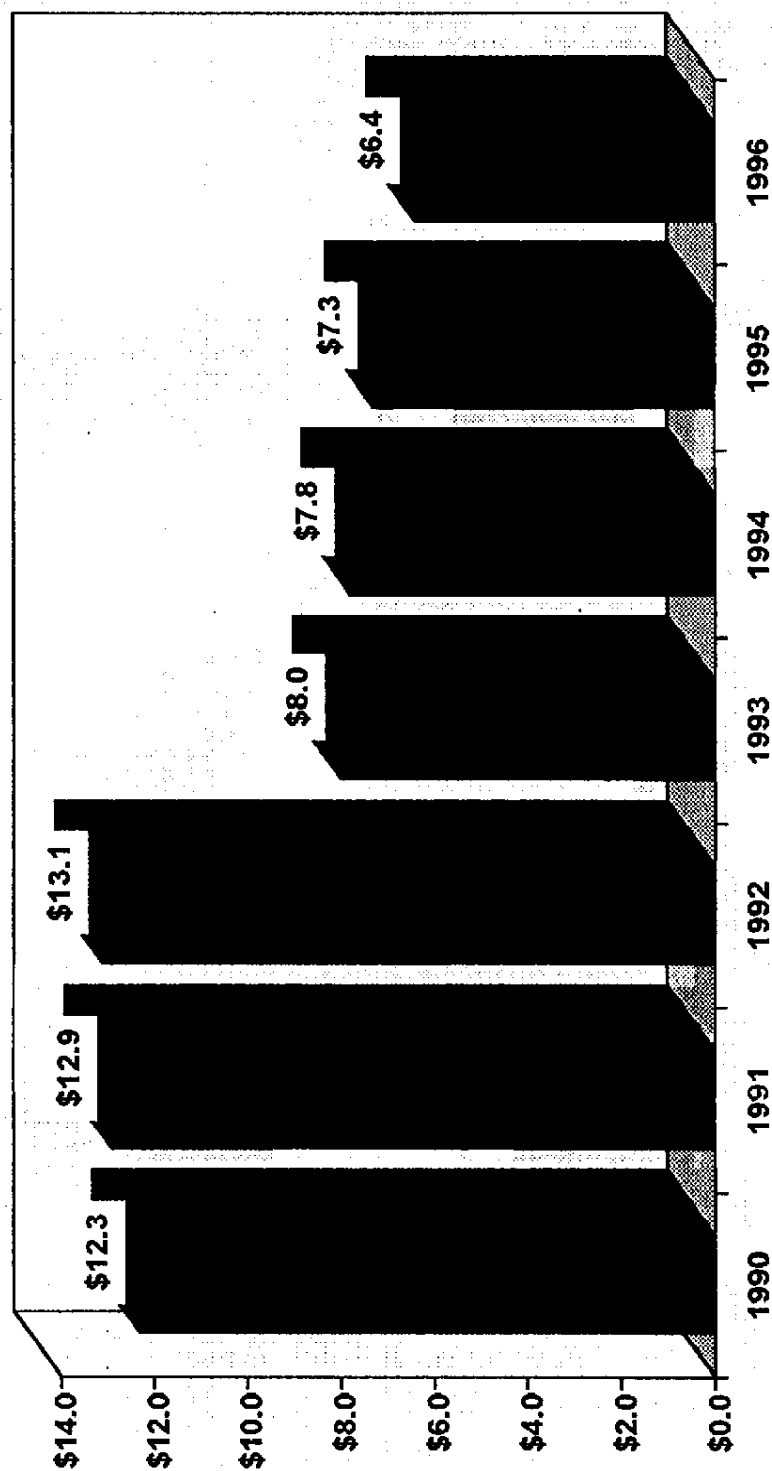
**Total U.S. By Major Trade Class - 1997**  
**Average Weekly Carton Volume / Per Store**



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# Supermarkets Cigarette Retail \$ Sales

*Billions of Dollars*

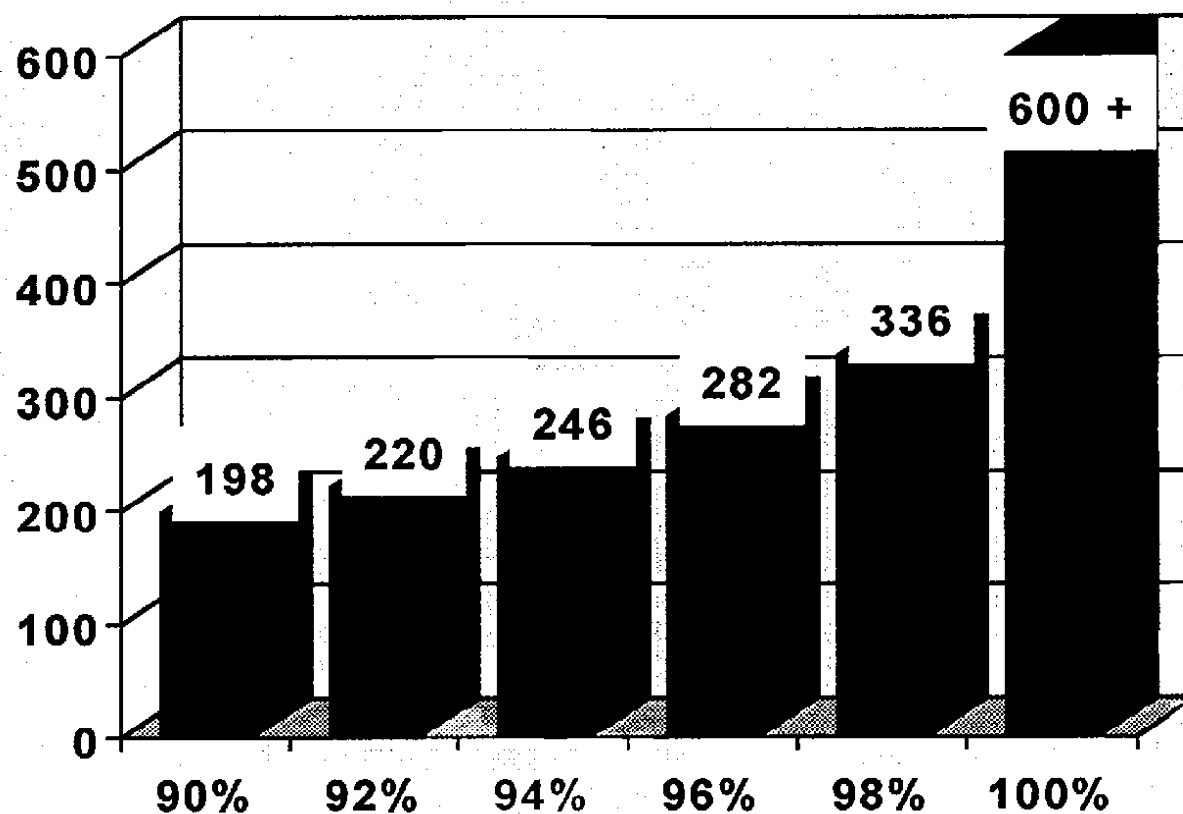


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## Total U.S. Supermarkets

### *Customer Satisfaction - Number of Brands*

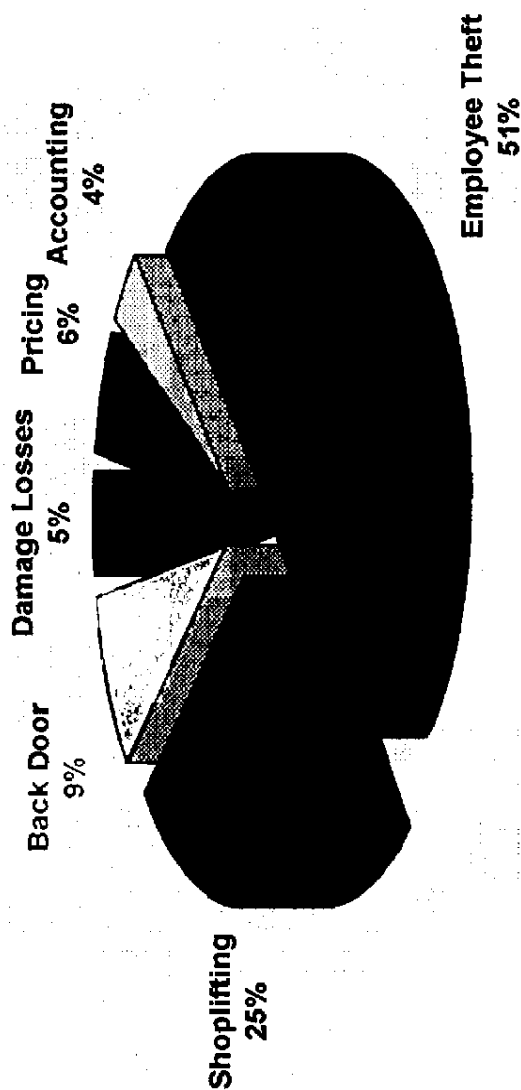
# of Brand Styles to Satisfy ....



Manage the  
number of brand  
styles without  
losing any  
significant sales.

# Supermarkets

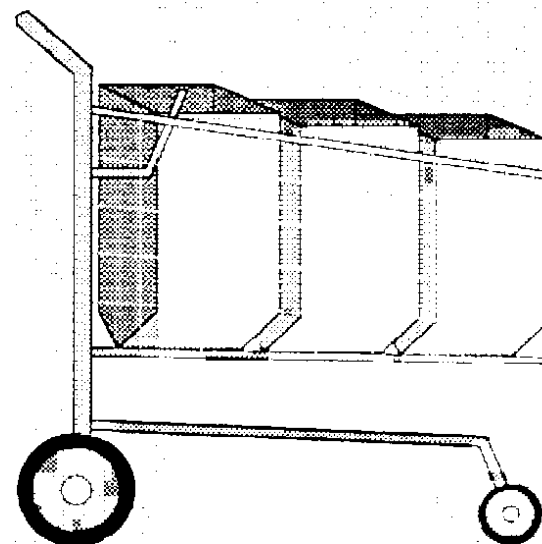
## *"Where's The Shrink ?"*



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## Supermarket Facts

- Annual supermarket sales of cigarettes are estimated to be at \$6.4 billion for 1997.
- The supermarket share of total U.S. cigarette volume is approximately 18%, and shows a steady decline VS other retail trade segments.
- Cigarettes account for about 3% of total supermarkets all commodity volume, equal to the combined sales of candy/gum, spices/extracts, canned vegetables, dried vegetables, and pickles/olives.
- The average supermarket sells approximately 267 cartons of cigarettes per week.
- 62% of the cigarette volume that moves through supermarkets is in cartons, 38% in packs.
- Supermarkets are highly developed among female smokers, 50+ year-old smokers, carton purchasers, ultra low tar smokers, and 100-120mm smokers.



## Consumers Spend More When Buying Cigarettes

- Smokers spend 70% more on shopping trips when buying cigarettes.

- *RJR smokers spend 87% more*

- *P Morris smokers spend 60% more*

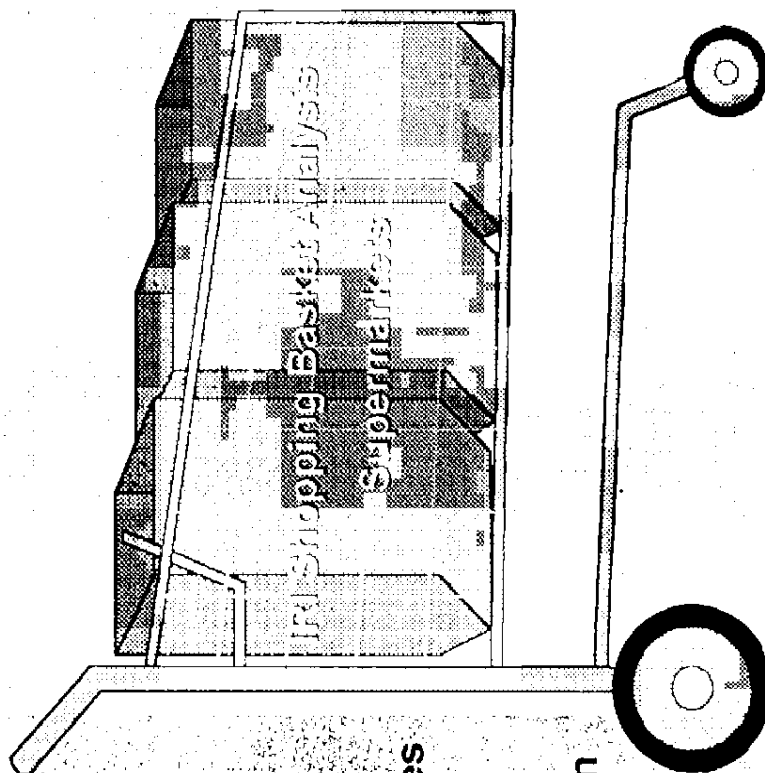
- Smokers purchase cigarettes about 28% of their shopping trips.

- *RJR smokers: 28%*

- *P Morris smokers: 19%*

- The average shopping basket of RJR smokers when they purchase cigarettes is 11% higher than P Morris and 12% higher than the industry as a whole.

- Overall, smokers spend 13% more than non-smokers per shopping trip.



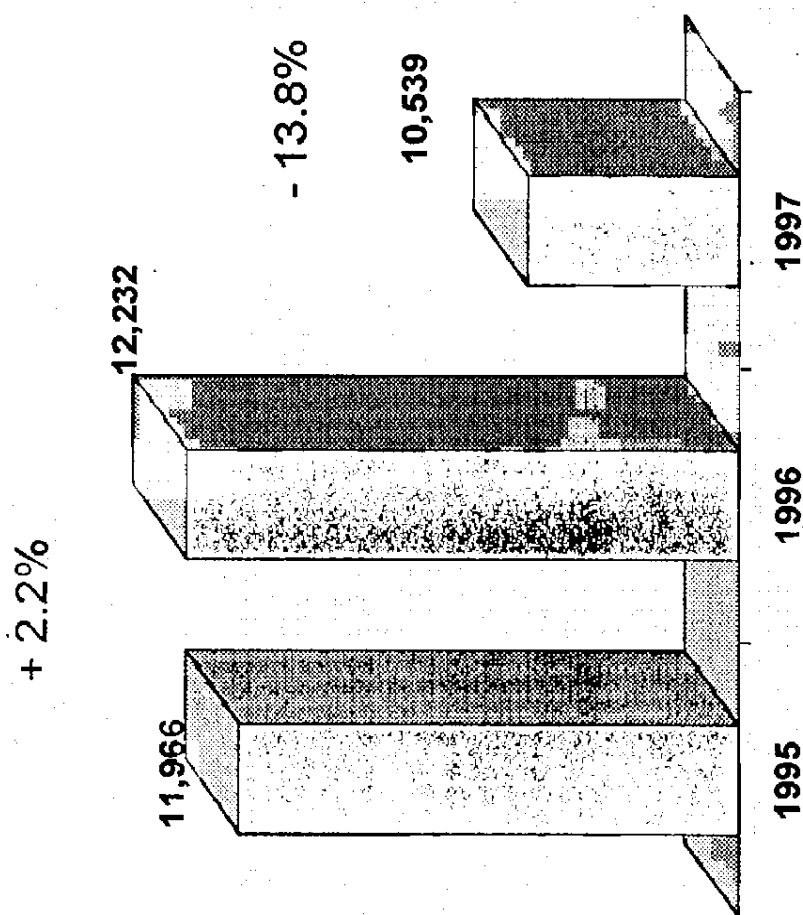
# Supermarket Cigarette Purchasers

- Adult Cigarette purchasers are important to your store. They drive up profits with high-margin cigarette sales. They spend more than non-smokers by about 13%.
- Supermarket percent of cigarette volume has declined, while convenience/gas stores have increased.
- Convenience stores are attracting your adult cigarette customers by aggressively promoting and displaying packs, as more consumers purchase by the pack.
- Adult Cigarette smokers want convenience. Attract adult cigarette shoppers who shop convenience stores by merchandising cigarettes at the "C-Store" within your store = *The Express Checklane*.
- Premium brand adult cigarette smokers are brand loyal. It is important to promote and display the full price, high margin brands at the checkout lanes.

**To Keep Your Adult Cigarette Purchasers and Gain Additional Adult Cigarette Purchasers, You Must Be Consumer Focused!**

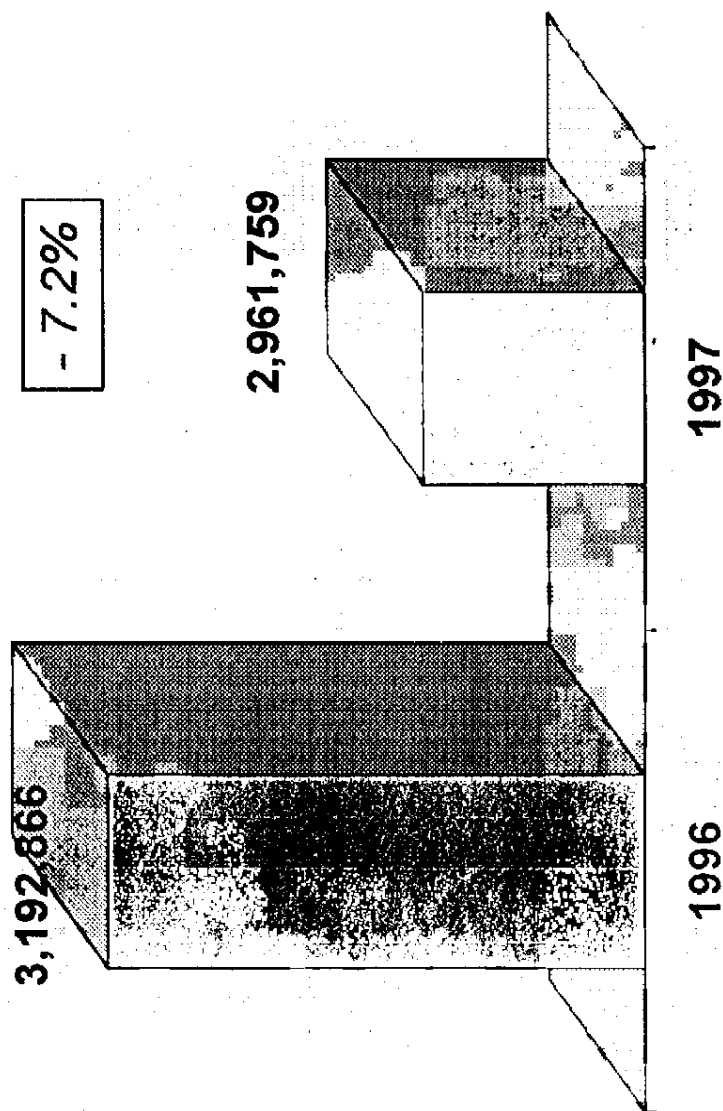
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## RJR Case Volume 1995-1997



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**Wakefern Food Corporation**  
**Cigarettes Shipped Stores**  
**1996 Vs. 1997**

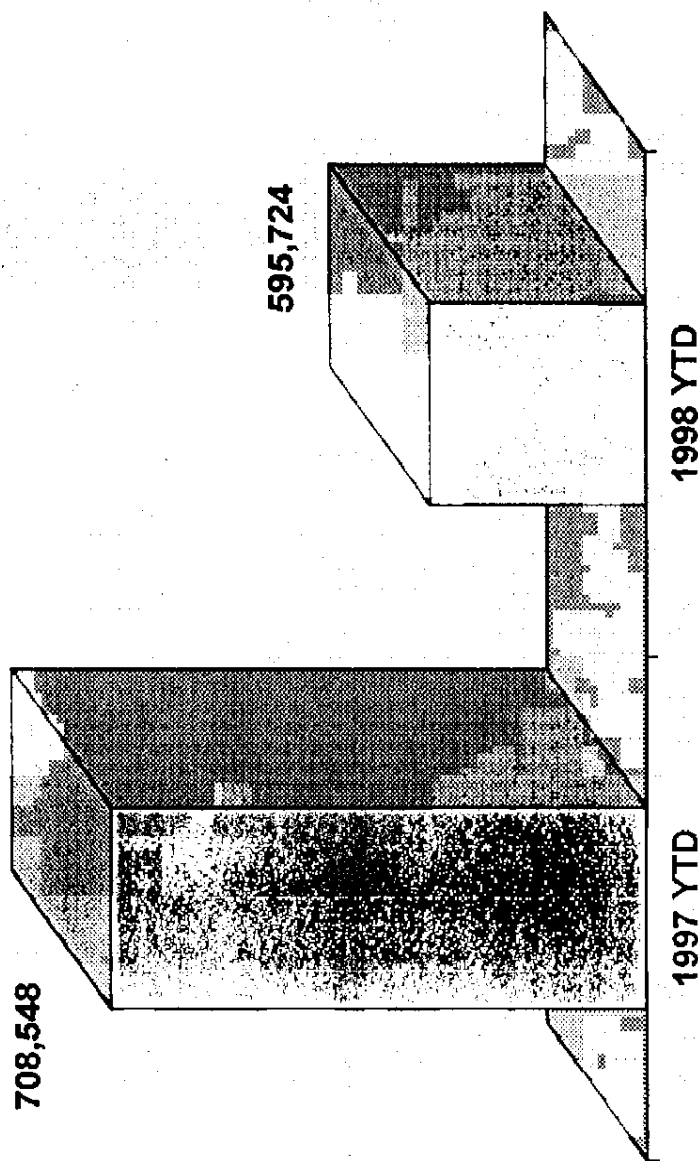


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Cigarettes Shipped To Stores  
(through 3/15/98)

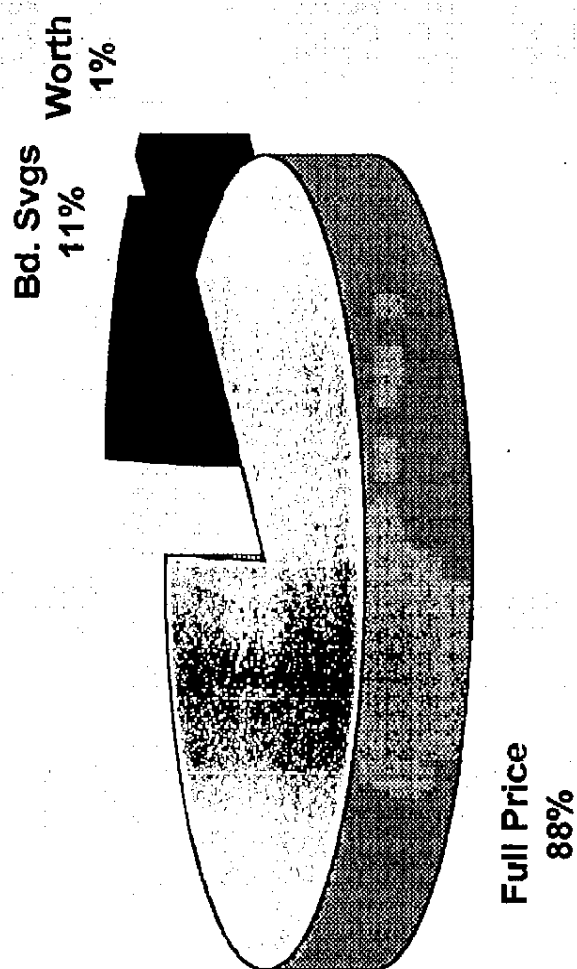
-15.9%



Source: RJR AIM System

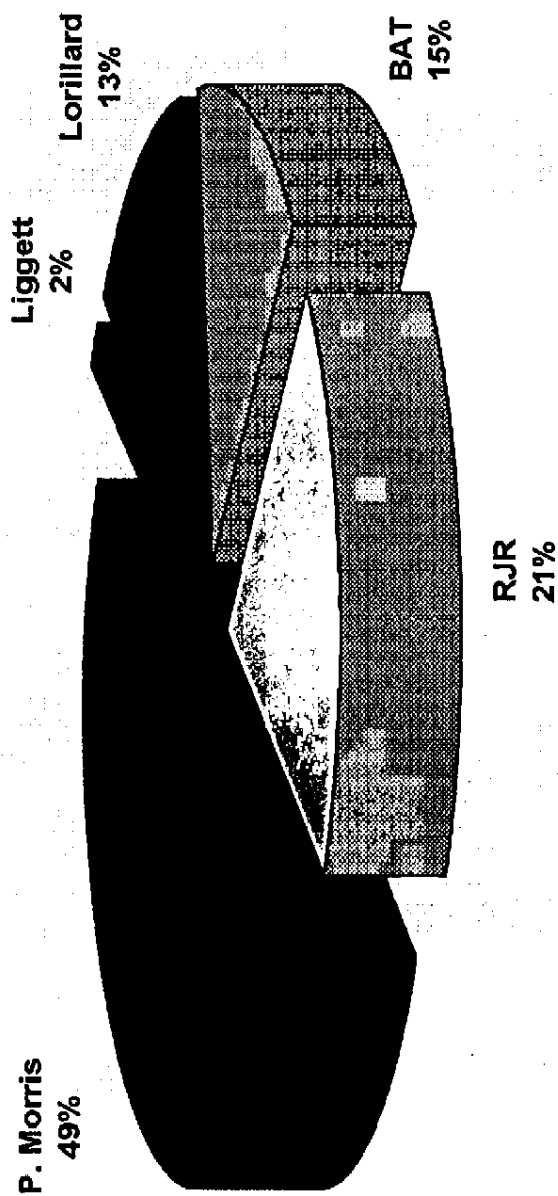
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**Wakefern Food Corporation  
Cigarette Category  
Price Segments**



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**Wakefern Food Corporation  
Cigarette Category  
Manufacturer Share Of Market**



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## Wakefern Food Corporation 1997 Direct Purchase Programs

<i>Program</i>	<i>Total Earned</i>
<i>Price Increase Differential</i>	<i>\$ 36,286.00</i>
<i>Hand Stamping Allowance</i>	<i>\$ 1,588.00</i>
<i>Worth Allowances</i>	<i>\$ 27,935.00</i>
<i>Wholesale Partners Program</i>	<i>\$ 84,463.00</i>
<i>Standard Anticipation</i>	<i>\$ 245,794.00</i>
<i>Electronic Funds Allowance</i>	<i>\$ 36,443.00</i>
<i>Total Dollars Earned</i>	<i>\$ 432,509.00</i>

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## Retail Programs

<i>Program</i>	<i>\$ Paid</i>
<i>Coupon Payments</i>	<i>\$ 567,737.00</i>
<i>Price Plus Program</i>	<i>\$ 163,495.00</i>
<i>Retail Partners Contract \$</i>	<i>\$ 422,925.00</i>
<i>Total Retail \$</i>	<i>\$ 1,154,157.00</i>

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# **Business Recommendations 1998**

## **1998 & Beyond**

*The majority of marketing and promotion for the Cigarette Category will take place at store level*

- *Continue use of Price Plus Program to drive volume.*
- *Make solid recommendations to Members regarding non self-service setups that will maintain business*
  - *Visible to shoppers*
  - *Clearly identified pricing*
  - *"Space to do business"*
  - *Programs from all Manufacturers*